

**CITY OF SAN JOSE
DEFERRED COMPENSATION
REQUESTS FOR PROPOSALS**

**INFORMATION & SUMMARY
TABLE OF CONTENTS**

	<u>Page</u>
I. Introduction	2
II. Key Issues	3
III. Selection and Implementation Process/Timetable	4
IV. Primary and Secondary Criteria Identification and Weighting	5
V. Description of Format of RFP	6
VI. Instructions on Completing Informational Grids	8
VII. Additional RFP Information	11

**City of San Jose
Deferred Compensation
Request For Proposals**

INTRODUCTION

The City of San Jose employs approximately 8,300 persons eligible for the deferred compensation program. The voluntary deferred compensation plan currently has approximately 7,350 active, inactive and retired participant accounts with over \$480 million in assets. Approximately 67% of 6,000 employees eligible for the City's defined benefit retirement plan participate in the deferred compensation plan. There is currently no matching program.

The City of San Jose employs approximately 2,400 part-time, temporary and contract (PTC) personnel. The mandatory, in-lieu of Social Security, PTC 457 Plan currently has 3,145 active and inactive accounts with over \$7 million in assets. Participants in this plan are currently offered the ICMA Plus Fund (stable value) only.

The joint labor/management Deferred Compensation Advisory Committee (DCAC) is the administrator for both plans and is the final decision maker for the RFP process and proposal selection.

Currently, the voluntary plan offers participants various investment options through two (2) bundled providers, ICMA Retirement Corporation and ING Financial Services. The approximate distribution by provider as of December 31, 2005, is as follows:

ICMA Retirement Corporation	ICMA RC PTC Plan (3121)	ING Financial Services	Total
\$280,700,000	\$7,300,000	\$190,500,000	\$478,500,000

The City has retained the consulting services of SST Benefits Consulting & Insurance Services, Inc. and IC Benefits Consulting to work directly with the DCAC to prepare the request for proposals (RFP), serve as the RFP contact, assist in the evaluation of proposals, and assist the DCAC with final recommendations.

KEY ISSUES

Questions related to the following key issues are included in the RFP grids or will be addressed in the finalist interviews. Final recommendations and decisions will depend on the selected provider's specific products and the related administrative requirements.

- Changes to Investment Policy—The DCAC recently approved a number of significant changes to its Investment Policy that create the opportunity to introduce new features to the City's 457 Plan. As a part of this RFP process, the DCAC wishes to explore the possibility of implementing the following:
 - Loan options
 - Socially responsible investment options
 - Fund of funds approach to asset allocation models
 - Life cycle asset allocation models
- Additional Plan Changes—Besides the changes related to the updated Investment Policy, the DCAC is considering two additional plan changes:
 - Migration from staff to providers of the research and analysis for unforeseen emergency hardships requests
 - On-line enrollments and deferrals with data transmissions between the providers' administrative systems and the City's HR/payroll system
- Administrative Reimbursements—The City has identified an annual total of \$370,000 in administrative expense reimbursements that must be included in any proposal. This initial amount will be adjusted annually by the San Francisco Bay Area CPI. In the event two providers are selected, the administrative reimbursement will be pro-rated between the providers based on assets allocated to each provider at the end of each quarter.
- Number of Providers—The DCAC may have a preference for a sole provider although it is soliciting proposals under multiple scenarios for no more than two (2) providers. As a result, respondents may submit proposals covering any combination of the following three alternatives:

SCENARIO 1: City contracting with a single provider with all existing assets transitioning immediately at no cost or penalty to the City or participants;

SCENARIO 2: City contracting with a single provider for all new deferrals and unencumbered assets. Encumbered assets will remain with existing provider(s) until available for transition without penalty.

SCENARIO 3: City contracting with two providers.

SELECTION & IMPLEMENTATION PROCESS/TIMETABLE

Distribute RFP	March 3, 2006
Question / Clarification Submission Deadline	March 24, 2006
Updates to City/SST Web Sites with Any New/Additional RFP Info	April 4, 2006
Due Date For RFP Responses	April 13, 2006
Notification to Respondents of Primary Criteria Review	May 1, 2006
Notification to Respondents of Secondary Criteria Review	May 8, 2006
Distribute Questions to Finalists	May 8, 2006
Due Date for Finalist Responses to Questions	May 16, 2006
Finalist Interviews	May 19, 2006
Recommendation to and Approval by DCAC	May 25, 2006
Transition Start Date	June 1, 2006
Implementation	October 1, 2006

NOTE: Finalist interviews are scheduled for May 19, 2006. Finalists will be notified of their specific appointment times on May 8, 2006, but should reserve the finalist interview date now.

The selection process is scheduled for completion in May 2006. The transition process should begin immediately thereafter, anticipating an effective date for transition of assets of October 1, 2006.

SUBMISSION REQUIREMENTS AND PRIMARY/SECONDARY CRITERIA IDENTIFICATION AND WEIGHTING

Proposals will first be evaluated based on full compliance with Submission Requirements, and then by primary and secondary criteria. Compliance with Submission Requirements is confirmed by completing the Certification of Submission Requirements in Section 1 of the RFP.

Primary criteria include:

- Section 2: Historical Return on Investments & Performance
- Section 3: Record Keeping Services
- Section 4: Fees & Charges
- Section 5: Education Services

In evaluating investment options, the key funds that consist of savings/Certificates of Deposit, stable value, fixed or general account options, large cap growth fund options and large cap value options will be emphasized with the greatest weighting. Evaluation of the key funds will be based upon the achieved three (3) year and five (5) year rates of return of the respective investments as compared against the average rates of return for the comparable asset classes as compiled by Morningstar. Other funds, record-keeping services, fees and charges and education services will be evaluated and weighted to a lesser degree.

All respondents will be notified of the City of San Jose's evaluation of primary criteria by May 1, 2006.

Proposals scoring in the competitive range in the primary criteria will be considered for or evaluated on secondary criteria. Secondary criteria include:

- Section 6: Support Services
- Section 7: Information Services / Reports
- Section 8: Transition Services / Support
- Section 9: Performance Standards / Guarantees
- Section 10: References
- Section 11: Exceptions to Agreement

All respondents will be notified of the City's evaluation of the secondary criteria by May 8, 2006.

Respondents who submit proposals that are determined to be competitive on both primary and secondary criteria will be asked to participate in a final interview scheduled for May 19, 2006. Finalists will be notified of their specific appointment prior to the meeting but should reserve the finalist date.

FORMAT OF RFP

Website Information

- www.sanjoseca.gov/Purchasing/Purch.htm, or
 - www.sstbenefits.com
-
- ☐ Cover Letter
 - ☐ Information and Summary
 - ☐ Request for Proposal (for downloading)
 - ☐ Exhibit A: Submission Requirements
 - ☐ Exhibit B: Exemplar Agreement
 - ☐ Exhibit C: Insurance Requirements
 - ☐ Exhibit D: Termination Fees from Current Providers
 - ☐ Exhibit E: Gift Ordinance & Code of Ethics
 - ☐ Exhibit F: Sample Administration Fee Grids
 - ☐ Exhibit G: Draft Investment Policy and Procedures Statement
 - ☐ Exhibit H: Census of City Workforce for Period Ending 12/31/05
 - ☐ Exhibit I: Demographics for Period Ending 12/31/05
 - Participants in existing plans
 - Participants and assets held in investment options

RFP Response Sections:

Section 1: General Information, including Certification of Submission Requirements

Primary Criteria

Section 2: Historical Return of Investments & Performance

- 2.1 Historical Return on Investment
 - A. Core Options
 - B. Socially Responsible Funds Options
 - C. Life Cycle Options
- 2.2 Individual Account Periodic Payment Investment Performance
- 2.3 Individual Account Lump Sum Investment Performance
- 2.4 Fund Objectives, Analysis & Ratings
- 2.5 Fixed Income Product
- 2.6 Socially Responsible Investment Options

Section 3: Record Keeping Services

Section 4: Fee/Charges Disclosure

- 4.1 Revenue Requirements
- 4.2 Fee/Charges Disclosure
- 4.3 Fee/Charges Disclosure - continued
- 4.4 Administration Fee/Charges, Scenario 1
- 4.5 Administration Fee/Charges, Scenario 2

4.6 Administration Fee/Charges, Scenario 3
Section 5: Education, Financial Counseling and Advice Services

Secondary Criteria

- Section 6: Support Services
- Section 7: Information Services / Reports
- Section 8: Transition Services / Support
- Section 9: Performance Standards / Guarantees
- Section 10: References
- Section 11: Exceptions to Agreement

1. Download the RFP from the City of San Jose's BidLine at www.sanjoseca.gov/Purchasing/Purch.htm or from the website of the City's consultant, SST Benefits Consulting, www.sstbenefits.com. In BidLine, click on "Services, Supplies and Equipment" in the far left column. Look for "RFP-DC06". From the home page of the SST website, click on RFPs in the left column, then, click "City of San Jose 457 Deferred Compensation RFP". The Log On name is "San Jose" and the password is "2006".
2. The RFP is written on P.C. Windows Office 2000 Microsoft Word with Microsoft Excel for the worksheets. Remit responses in this same format.
3. ALL RESPONSES MUST BE PROVIDED ON THE "RFP" GRID FORMAT. Please open the RFP and respond to each question on the right side of the grid corresponding to the question. Should any question not apply to your response, please indicate with a N/A. Brief answers are otherwise required. Do not simply refer to an exhibit.
4. Refer to the instructions on page 9 for completing the portion of the grids written in a Microsoft Excel worksheet format.
5. Should you have any difficulty with utilizing any aspect of this RFP, please contact Bill Tugaw at (650) 940-1111 ext. 11, or fax (650) 940-1583 or e-mail at: billtugaw@sstbenefits.com
6. Examples of completed administration grids are provided in Exhibit G of this RFP.
7. Respondents may not amend, revise or alter their proposal after the proposal due date of April 13, 2006, unless formally requested to do so by the City in writing to all proposers. All key or critical information or exceptions must be contained within the Primary or Secondary Criteria grids or referenced within those grids.

INSTRUCTIONS ON COMPLETING INFORMATIONAL GRIDS

The following instructions are for completing the informational grids in the RFP document. For complete submission instructions, see the previous Format of RFP section in this document and the Submission Instructions section in the cover letter.

NOTE: Any change to the formulas in the financial grids without prior written authorization of SST Benefits Consulting or IC Benefits Consulting may result in immediate disqualification of respondent. It is important to note that the software for this RFP is proprietary to SST Benefits Consulting and IC Benefits Consulting but this RFP is the property of the City of San Jose.

Respond briefly to each of the following informational grids. Please limit your answers of the narrative questions to no more than 2-3 statements, providing the requested information within each grid. All key, pertinent information **must** be supplied within the grid or referenced in the grid. Only if necessary, you may provide additional exhibits at the end of the grids to develop your answers further. Also, any information in addition to the required information should be placed at the end of the grids as attachments or exhibits. **Do not simply refer to an exhibit in the grids.**

General Comments

As previously indicated in the Primary and Secondary Criteria Section, all proposals will be initially screened on the basis of Submission Requirements and Primary Criteria only. Finalists will then be evaluated on Secondary Criteria. The DCAC will identify any questions and issues they have regarding the Primary and Secondary Criteria. These questions and issues will be discussed in the finalist interviews. Primary Criteria, Secondary Criteria and results of finalist interviews will be used to determine the successful respondent(s). Secondary Criteria will not be considered if the respondent does not qualify under Primary Criteria.

Below is additional information regarding each section of the grids.

Section 1: General Information

As previously mentioned, the DCAC is interested in proposals based on three scenarios, as follows:

SCENARIO 1: City of San Jose contracting with a single provider with all existing assets transitioning immediately at no cost or penalty to the City of San Jose or participants;

SCENARIO 2: City of San Jose contracting with a single provider for all new deferrals and unencumbered assets. Encumbered assets will remain with existing provider until available for transition without penalty.

SCENARIO 3: City of San Jose contracting with two (2) providers.

Each scenario has factors that may or may not affect your bid. Indicate with an “X” in the appropriate place in the General Information grid (Section 1, Items 6.1, 6.2 and 6.3) which scenario(s) you are proposing. Indicate all scenarios that your proposal is addressing.

- If your proposal does not change in any way under all three scenarios, submit only one proposal in the grids as provided.
- If your proposal is modified in any way under one or more of the scenarios (e.g., different fees/charges, less dollars at risk, different services offered), highlight the sections of the RFP grid that are different for the different scenarios. That is, duplicate the sections or grids where your answer is different between scenarios, and be sure to label the questions or grids clearly and accordingly.

Section 2: Historical Return on Investment & Performance

Section 2.1 is the Historical Return on Investment. To enter information in this grid, respondent must double click anywhere on the Section 2.1 grid to activate the Excel 7.0 worksheet. Proposers **must enter the name of each investment fund** proposed under the appropriate *Class of Asset* category **followed by the year-end yield** to the participant in the appropriate year-end columns **for the past five (5) years requested**. If you offer more investment funds in a particular Class of Assets than space provided, simply add a *row* by clicking the *Insert* and then *Row* buttons. **Calculate the funds’ three (3) and five (5) year returns in the appropriate grid. Upon receipt of your electronic proposal, the appropriate Morningstar three (3) and five (5) year average return for the pier group will be inserted in the indices by the consultants.** Do not attempt to adjust any formulas, averages, indices or deviations. (Note: If additional rows are added, calculation formulas will be entered by SST Benefits Consulting). Please provide copies of prospectus or similar disclosure documents for all investments proposed.

Sections 2.2 and 2.3 must calculate the investment accumulation at the participant level.

Section 2.4 Fund Objectives, Analysis & Ratings must include the fund objectives as indicated by categories compiled by Morningstar as of the quarter ended September 30, 2005.

Section 3: Record-keeping Services

Complete this section as requested.

Section 4: Fee/Charges Disclosure

Section 4.1 must identify all revenue needed by the provider to offer the services contained in the proposal.

Sections 4.2 & 4.3 Fee/Charges Disclosure identifies any and all charges and expenses associated with an investment.

As mentioned under Scenario 1 (i.e., all existing assets transitioning immediately at no cost or penalty to the City of San Jose or participants), any termination fees or liquidation fees must not be charged against participant's accounts or to the City of San Jose. Any fees associated with this scenario should be disclosed in Section 4.3. Please refer to the termination / liquidation disclosure information provided by the current providers available at the www.sstbenefits.com website as Exhibit H.

Sections 4.3, 4.4 and 4.5 Administration Fee/Charges. These grids provide for a five-year contract guarantee period under each of the proposed scenarios. Please indicate administration fees and charges for each year either asset based, flat fee, per-capita fee or other fee structure. Refer to Exhibit D.

Section 5: Education

The DCAC is emphasizing education for plan decision-makers as well as plan participants (inclusive of employees and retirees). Education provided to plan decision-makers should address the DCAC's fiduciary responsibility and due diligence, regulatory changes, legislative changes and technological advances. Plan participant education should be directed to active employees as well as retirees and should be reviewed with City staff in advance.

Sections 6 through 11: Secondary Criteria

Complete these sections as requested.

Use of Term "At-Risk"

In Section 9, the RFP references your willingness to be "**At-Risk**" for certain services. In general, the City of San Jose is seeking performance standards and **a commitment of funds** to assure that those performance standards are met. If you are willing to commit funds in each of the requested areas, please identify both the performance standard and the amount of money you will commit **on an annual basis** to assure that the performance standard is met. Preference will be given to those proposals with objective, quantitative performance standards and "at-risk" commitments over those proposals offering no commitments.

ADDITIONAL RFP INFORMATION

Consequences of Submission of Proposal

- A proposer may make a written request to withdraw its proposal at any time prior to the due date and time of the proposal (Thursday, April 13, 2006 at 4:00 p.m. Pacific Time).
- All costs incurred by the proposer for the preparation and submittal of the proposal are entirely the responsibility of the proposer and will not be charged in any manner to the City.
- The City shall not be obligated to respond to any proposal submitted, nor be legally bound in any manner by the submission of the proposal.
- Selection by the City of a proposal obligates the proposer to enter into an agreement with the City to provide services for the City's Deferred Compensation Program.
- An agreement shall not be binding or valid until the Deferred Compensation Advisory Committee ("DCAC") approves the agreement.

Public Records: Proposals Become Property of the City

All correspondence with the City, including responses to this RFP, become the exclusive property of the City. At such time as the Deferred Compensation RFP Subcommittee recommends a proposer to the DCAC, all proposals received in response to this RFP become a matter of public record under the California Public Records Act (California Government Code Section 6250 *et seq.*), with the exception of those elements in each proposal which are business or trade secrets and are plainly marked "Confidential", "Trade Secret", or "Proprietary." The City shall not in any way be liable or responsible for the disclosure of any such proposal or portions thereof, if they are not plainly marked "Confidential", "Trade Secret", or "Proprietary" or if disclosure is required under the Public Records Act. Any proposal which contains language purporting to render all or significant portions of the proposal "Confidential", "Trade Secret", or "Proprietary" shall be regarded as non-responsive.

Although the California Public Records Act recognizes that certain confidential trade secret information may be protected from disclosure, the City may not be in a position to establish that the information which a proposer submits is a trade secret. If a request is made for information marked as "Confidential," "Trade Secret," or "Proprietary," the City will provide the proposer who submitted the information with reasonable notice to allow the proposer to seek protection from disclosure by a court of competent jurisdiction.

Acceptance or Rejection of Proposals

An agreement may be executed with the proposer whose proposal most closely satisfies the needs of the City as determined by the City. The City reserves the right to accept or reject any item or groups of items of a proposal. The City also reserves the right to waive any informality or irregularity in any proposal.

The City reserves the right to reject any proposals or portions thereof received in response to this RFP, or to negotiate separately with any source whatsoever in any manner that serves the best interest of the City. Additionally, the City may, for any reason, decide not to award an agreement as a result of this RFP.

Non-acceptance of any proposal does not imply that the proposal was deficient. Rather, non-acceptance of any proposal will mean that another proposal more closely satisfies the needs of the City or that the City decided not to award an agreement as a result of this RFP.

Disqualifications

Any of the following may be considered just cause to disqualify a proposal without further consideration:

- Evidence of collusion, directly or indirectly, among proposers in regard to the amount, terms, or conditions of this proposal;
- Any attempt to improperly influence any member of the selection staff or any member of the DCAC;
- Evidence of incorrect information submitted as part of the proposal; or
- Evidence of proposer's inability to successfully complete the responsibilities and obligations of the proposal.

Informal Proposal Rejected

A proposal shall be prepared and submitted in accordance with the provisions of the RFP instructions and specifications. Any alterations, omissions, additions, variance, or limitations of, from, or to a proposal will be sufficient grounds for rejection of the proposal. The City has the right to waive any defects in a proposal, if the City chooses to do so. The City may reject a proposal if:

- Any of the RFP forms are left blank or are materially altered; or
- Any document or item necessary for the proper evaluation of the proposal is incomplete, improperly executed, indefinite, ambiguous, or missing.

Conditions To Be Accepted If Any Work Is Subcontracted

The selected proposer is the principal for this engagement and shall be solely and fully responsible for contracting with and communicating the work to be performed, and channeling other information between the City and any sub-consultant firm(s).

The selected proposer shall assume full responsibilities, including insurance and bonding requirements, for the quality and quantity of all work performed, whether it is undertaken by the firm's own organization or subcontracted to another.

If a sub-consultant's involvement requires the use of a licensed, patented, or proprietary process, the proposer shall be responsible for assuring that the sub-consultant has been

properly authorized to use the process or for providing another process that is comparable to that which is required.

Insurance Requirements

The selected firm(s), at its sole cost and expense and for the full term of the agreement or any extension thereof, shall obtain and maintain all of the insurance requirements listed in Exhibit B of the Exemplar Agreement.

All policies, endorsements, certificates and/or binders shall be subject to approval by the Risk Manager of the City as to form and content. These requirements are subject to amendment or waiver if so approved in writing by the Risk Manager. The proposer agrees to provide the City with a copy of the insurance certificates and endorsement, and upon request of the City, a copy of any of the insurance policies.

The selected firm(s) shall satisfy these insurance requirements prior to approval of an agreement.

Prohibition of Gifts

City officers and employees are subject to the City's prohibition against acceptance of any gift by a City officer or designated employee. Said prohibition is found in Chapter 12.08 of the San José Municipal Code. The selected firm (s) shall be prohibited from providing any prohibited gift to a City officer or designated employee.

Local Business Enterprise and Small Business Enterprise

It is the policy of the City of San José to encourage business activity in San José. See Section 13 of the RFP grids for claiming Local and Small Business Enterprise status. In determining the most advantageous proposal or most advantageous price quotation, consideration of performance and price shall take precedence over status as a Local Business Enterprise.

San José Municipal Code Section 4.06.010 defines "Local Business Enterprise" as follows: "Local Business Enterprise " means a business enterprise, including but not limited to a sole proprietorship, partnership, or corporation, which has a legitimate business presence in the County of Santa Clara. Evidence of legitimate business presence in San José shall include:

- A. Having a current San José business tax certificate; and
- B. Having either of the following types of offices operating legally within the County of Santa Clara:
 - 1. The contractor's principal business office or
 - 2. The contractor's regional, branch or satellite office with at least one full-time employee located in the County of Santa Clara

San José Municipal Code Section 4.06.020 defines “Small Business Enterprise” as follows:

"Small Business Enterprise" means a Local Business Enterprise that has thirty-five (35) or fewer total employees.

In order to qualify as a Local or Small Business Enterprise, you must complete [INSERT LBE/SBE FORM NUMBER]. If you fail to submit the proper information with your proposal, your firm will be denied consideration for local preference. The Local Business Enterprise/Small Business Enterprise information cannot be submitted later.

Examination of Proposal Materials

Submission of a proposal shall be deemed a representation and warranty by the proposer that it has investigated all aspects of the RFP, that it is aware of the applicable facts pertaining to the RFP process, its procedures and requirements, and that it has read and understands this RFP. No request for modification of the provisions of the proposal shall be considered after its submission on the grounds the provider was not fully informed as to any facts or conditions.

Addenda and Interpretation

The City shall not be responsible for nor be bound by any oral instructions or interpretations or explanations issued by the City or its representatives. Should discrepancies or omissions be found in this RFP or should there be a need to clarify the RFP, the provider may request clarification in writing and deliver the request to:

Bill Tugaw, Consultant
SST Benefits Consulting
4966 El Camino Real, Suite 200
Los Altos, CA 94022

Email: billtugaw@sstbenefits.com

All such requests for clarification shall be delivered to the City Contact by Friday, March 24, 2005. City response to a request for clarification may be made in the form of an addendum to this RFP. Any addendums to this RFP will be distributed to proposers through the City's web site and through the SST Benefits Consulting website by Tuesday, April 4, 2006, as described in this RFP's cover letter under the section “Addenda, Questions & Additional Information”. All addenda shall become part of this RFP.

Non-Discrimination/Non-Preferential Treatment

The successful proposer shall fully comply with Chapter 4.08 of the San José Municipal Code and shall not discriminate against or grant preferential treatment to any sub-consultant on the basis of race, sex, color, age, religion, sexual orientation, actual or perceived gender

identity, disability, ethnicity or national origin in the performance of City contracts. Any provider who so discriminates or gives preference shall be deemed not a responsible proposer.